

Message Text

SECRET

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S E C R E T SECTION 01 OF 02 CAIRO 10322

EXDIS

E.O. 11652: GDS
TAGS: PGOV, PINT, ECON, ECSM, EG
SUBJECT: SOME COMMENTS ON EGYPTIAN INTERNAL SITUATION--
- POSSIBLE CABINET CHANGE

SUMMARY: SALEM CABINET IN DISARRAY DUE TO WEAK LEADERSHIP AND INTERNECINE BICKERING. PRICE RISES ATTRIBUTED TO KAISOUNI'S ECONOMIC REFORM PROGRAM, WHICH IS OPPOSED BY MANY POLITICAL ORIENTED CABINET MEMBERS. GAMASY/KAISOUNI DISAGREEMENT HAS ALSO DEVELOPED OVER FUNDS, WITH SADAT SIDING WITH MINWAR. KAISOUNI HAS SUBMITTED RESIGNATION, WHICH THUS FAR NOT ACCEPTED NOR ANNOUNCED. EFFORT BEING MADE PERSUADE HIM WITHDRAW RESIGNATION. CABINET DISUNITY TAKES PLACE AGAINST BACKDROP OF INFLATIONARY PRICE RISES AND SEVERE COMMODITY SHORTAGES IN URBAN MARKETS, GENERATING WIDESPREAD PUBLIC RESTIVENESS. PRIMIN HAS BELATEDLY RECOGNIZED SERIOUSNESS OF SITUATION AND IS INVOLVED IN FRENETIC CABINET ACTIVITY EXECUTE SADAT'S ORDERS THAT SITUATION BE CORRECTED FORTHWITH. ALL REMEMBER JANUARY 1977 PRICE RIOTS AND ARE FEARFUL SITUATION IS DEVELOPING WHERE EVEN MORE SEVERE RIOTS COULD RECUR. THERE ARE REPORTS SADAT HAS FINALLY DECIDED SALEM NOT UP TO THE JOB AND IS CANVASSING CANDIDATES TO SUCCEED LATTER AS PRIMIN. LOCAL SOCIAL TINDER IS DRY AND IT WOULD NOT TAKE
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MUCH TO SPARK NEW OUTBREAKS. END SUMMARY.

1. WE ARE RECEIVING INCREASING INDICATIONS THAT THE SALEM CABINET IS IN A STATE OF DISARRAY AND THAT A CABINET CHANGE, INCLUDING SALEM HIMSELF, MAY BEFORE LONG TAKE PLACE. THE "GOVERNMENT," MEANING MAINLY THE CABINET, IS WIDELY CRITICIZED AS INEFFECTUAL. SALEM, WHO IS ALSO

HEAD OF THE MISR (GOVERNMENT) PARTY, IS CHARGED WITH WEAK GOVERNMENTAL AND PARTY LEADERSHIP. HIS INABILITY MAINTAIN DISCIPLINE IN PARTY RANKS, ESPECIALLY IN PEOPLE'S ASSEMBLY, HAS EMBITTERED HIS CABINET COLLEAGUES, WHO ARE CONSTANTLY BADGERED NOT ONLY BY OPPOSITION, BUT ALSO MISR PARTY PARLIAMENTARIANS. FROM VARIOUS REPORTS WE HAVE HEARD, CABINET SESSIONS ARE BECOMING MORE AND MORE STORMY AS MINISTERS BICKER AND EVEN SHOUT AT EACH OTHER.

2. A FEW EXAMPLES OF INTERNECINE CABINET DISAGREEMENTS MAY BE NOTED. DEPUTY PRIMIN KAISSOUNI AND AT LEAST TWO OF HIS "ECONOMIC GROUP" (MINECON EL SAYEH AND MINFINANCE HAMED) HAVE THROUGHOUT PAST YEAR BEEN PRESSING FOR REMOVAL OF SUBSIDIES, PRICE RISES AND REDUCTION OF MINISTERIAL EXPENSES. THEY HAVE HAD SOME SUCCESS, THANKS TO SALEM'S SUPPORT, BUT THEIR EFFORTS ARE DEEPLY RESENTED BY MORE POLITICALLY ORIENTED CABINET COLLEAGUES. ANOTHER DEPUTY PRIMIN, MOHAMED HAFEZ GHANEM, TOLD AMBASSADOR A FEW EVENINGS AGO THAT KAISSOUNI'S POLICIES OF ALLOWING PRICES TO RISE WILL PROVE TO BE A DISASTER AND FREELY ADMITTED THAT HE AND OTHER CABINET MEMBERS ARE FIGHTING THEM EVERY STEP OF THE WAY. HE CHARGED THAT SHORT-SIGHTED IMF DEMANDS ON GOE THREATEN EGYPT'S POLITICAL AND SOCIAL FABRIC. MINTRADE AND SUPPLY, ZAKARIA TEWFIK, ALSO A MEMBER OF KAISSOUNI'S ECONOMIC GROUP, IS AMONG THOSE OPPOSED TO PRICE INCREASES. TEWFIK TOLD AMBASSADOR LAST
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WEEK HE IS FED UP AND THINKING OF QUITTING. HE (ALONG WITH KAISSOUNI) HAS BECOME MAJOR TARGET FOR CURRENT BITTER PA CRITICISM OF RISING PRICES AND MARKET SHORTAGES. DEPUTY PRIMIN AND MINWAR GAMASY IS CURRENTLY FURIOUS AT KAISSOUNI FOR UTILIZING RECENTLY RECEIVED KUWAITI DONATION TO MEET OUTSTANDING GOE FINANCIAL OBLIGATIONS. GAMASY CONTENTS KUWAITI DONATION WAS INTENDED TO PURCHASE MILITARY EQUIPMENT AND HAS COMPLAINED TO SADAT ABOUT KAISSOUNI'S ACTION. WE UNDERSTAND KAISSOUNI RECEIVED PRESIDENTIAL RAP ON KNUCKLES. BECAUSE OF THIS AND BECAUSE OF HOSTILE CRITICISM FROM PA MEMBERS OF GOVERNMENT PARTY, KAISSOUNI SUBMITTED HIS RESIGNATION FOUR DAYS AGO. IT HAS NOT BEEN ACCEPTED OR ANNOUNCED AND SADAT AND SALEM ARE KNOWN TO BE URGING KAISSOUNI WITHDRAW IT. THUS FAR HE HAS NOT DONE SO AND HAS REMAINED AT HOME, OSTENSIBLY ILL, ALTHOUGH TODAY'S PRESS CARRIES BRIEF ITEM THAT HE WILL MEET TOMORROW AT HIS OFFICE WITH VISITING FRENCH ECONOMIC GROUP. KAISSOUNI MAY IN END WITHDRAW RESIGNATION, BUT THIS ACTION BY SENIOR CABINET OFFICER IS INDICATIVE OF DEPRESSED CABINET MORALE WHICH PRESENTLY EXISTS.

3. ALL OF ABOVE IS TAKING PLACE AGAINST BACKDROP OF INFLATIONARY PRICE RISES AND SERIOUS COMMODITY SHORTAGES. SHARP PEOPLE'S ASSEMBLY DEBATE ON PRICE RISES HAS ALREADY BEEN REPORTED (CAIRO 9907 AND PREVIOUS) AND IS DUE TO RESUME NEXT MONDAY. NO LESS WORRISOME TO THE GOVERNMENT ARE FOOD, AND ESPECIALLY VEGETABLE AND FRUIT, SHORTAGES IN THE LOCAL MARKETS. THERE IS MUCH PUBLIC BITTERNESS THAT NOT ONLY HAVE VEGETABLES AND FRUITS ALMOST DOUBLED

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IN PRICE THIS PAST YEAR, BUT THAT THEY CANNOT BE FOUND ON THE MARKETS. FARMERS ARE IN MANY INSTANCES WITHHOLDING PRODUCE, BUT PUBLIC IRE AIMED AT WHOLESALER AND RETAILER PROFITEERING AND BLACKMARKETING.

4. PRIMIN SALEM HAS BELATEDLY RECOGNIZED SERIOUSNESS OF CURRENT STATE OF PUBLIC CONCERN AND IS NOW FRENETICALLY TRYING OVERCOME PROBLEM. HE HAS ASKED FOR DAILY REPORTS ON SUPPLY SITUATION, AND MININTERIOR NABAWI IS ON THE PROWL AGAIN LOOKING FOR PROFITEERS AND BLACKMARKETERS. YESTERDAY SALEM CONVENED MEETING OF MINISTERS OF LOCAL GOVERNMENT, SUPPLY, INTERIOR, AGRICULTURE, MINSTATE ADMINISTRATIVE DEVELOPMENT AND GOVERNORS OF CAIRO, ALEXANDRIA, GIZA AND QULYUBIA TO STUDY PROBLEM. MEETING REPORTEDLY RESULTED IN SERIES OF DECISIONS DESIGNED CORRECT SITUATION. WORKING GROUP OF SIX MINISTERS CREATED, HEADED BY MINISTER OF LOCAL GOVERNMENT, CHARGED WITH SUPERVISING SUPPLY SITUATION AND TAKING URGENT MEASURES NEEDED TO ASSURE THAT CITIZENS' NEEDS ARE MET. GROUP WILL MEET TWICE WEEKLY. MINISTER SUPPLY HAS BEEN ORDERED PROVIDE ADDITIONAL COMMODITY AND FLOUR QUOTAS TO GOVERNORATES ON URGENT BASIS AND MECHANISM WAS ESTABLISHED DESIGNED FACILITATE INCREASING FRUIT AND VEGETABLE AVAIL-

ABILITIES IN URBAN MARKETS. PRESS PROCLAIMS OBJECTIVE IS
TO "FLOOD" MARKET WITH FRUITS AND VEGETABLES
IN NEXT TWO WEEKS. CONCURRENTLY, MINAGRI-
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CULTURE HAS BEEN ORDERED TO INCREASE MEAT DISTRIBUTION.
GOVERNOR CAIRO AND SUPPLY OFFICE IN GOVERNORATE INVESTED
WITH FULL POWER TO DISTRIBUTE COMMODITIES AMONG CITIZENS
AND TO LOOK AT PRICING CONDITIONS. HOW MUCH OF THIS WILL
TURN OUT TO BE SQUIRREL CAGE MOTION AND HOW MUCH WILL BE
EFFECTIVE REMAINS TO BE SEEN.

5. WHILE THERE IS ALWAYS SEASONAL SHORTAGE OF VEGETABLES
AND FRUITS ON MARKET, USUALLY BROUGHT ABOUT BY GOE'S
EFFORTS TO FIX PRICES, IT SEEMS TO BE WORSE THIS YEAR.
GOVERNMENT'S SCURRYING TO TRY TO CORRECT SITUATION IS
MORE FRANTIC THAN WE HAVE SEEN IT IN PAST FOUR YEARS.
THE WORD IS THAT SADAT HAS PERSONALLY ORDERED SITUATION
BE CORRECTED FORTHWITH. BUT BEHIND THIS IS FACT THAT
SADAT, SALEM AND THE CABINET ALL VIVIDLY REMEMBER THE
JANUARY 1977 PRICE RIOTS AND ARE FEARFUL A SITUATION
COULD BE DEVELOPING WHERE RIOTS COULD RECUR. CRITICS OF
THE GOVERNMENT, BOTH ON THE LEFT AND RIGHT, ARE GRIMLY
PREDICTING NEW RIOTS BEFORE LONG. IF THEY COME, THEY
CONTEND, THEY WILL BE MORE SEVERE THAN THOSE OF LAST YEAR.

6. IN PRESENT UNSATISFACTORY PRICE/SUPPLY SITUATION,
THERE IS AGAIN MUCH TALK THAT A CABINET CHANGE WILL TAKE
PLACE. SADAT, IT IS SAID, HAS FINALLY DECIDED SALEM IS
NOT UP TO THE JOB AND WILL HAVE TO GO AND THAT HE IS
SOUNDING OUT POSSIBLE SUCCESSORS. SALEM IS BELIEVED TO
BE AWARE OF THIS, HENCE HIS FRENETIC REMEDIAL ACTIVITY.
IF SITUATION GETS WORSE, A SCAPEGOAT WILL HAVE TO BE SOUGHT
AND SALEM, KAISSOUNI AND ZAKARIA TEWFIK, EACH IN HIS OWN
WAY, ALL LIKELY CANDIDATES. HOWEVER, QUESTION WHICH ANY
PUTATIVE SUCCESSOR MUST ASK HIMSELF IS WHETHER HE LIKELY
BE ABLE MANAGE INFLATIONARY PRESSURES AND CHAOTIC SUPPLY
SITUATION ANY MORE EFFECTIVELY. ONLY A REALLY AMBITIOUS
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MAN WOULD RISK TAKING THE UNENVIABLE JOB OF PRIMIN. IF
SADAT CAN FIND SOMEONE WILLING AND ABLE TO DO SO, HE WILL
PROBABLY OPT TO MAKE THE CHANGE SOON. THIS IS BEING
WIDELY PREDICTED, ALTHOUGH FORMER FONMIN FAHMY DOES NOT
BELIEVE A CABINET CHANGE IS LIKELY UNTIL LATER THIS YEAR.

7. IN ANY EVENT, THE PEACE PROCESS IS PERCEIVED TO BE
STALLED, PRICES ARE RISING, THE SUPPLY SITUATION REMAINS
BAD AND THE PUBLIC IS RESTIVE. THE SOCIAL TINDER IN
URBAN AREAS IS DRY AND IT WOULD NOT TAKE MUCH TO SPARK
NEW RIOTS. EILTS

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